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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SOURCE

1. In the middle of May the Czechoslovak government promoted consumer purchase of clothing in an attempt to get rid of an oversupply of poor quality goods before the monetary reform. This aroused the suspicions of the people who started a buying wave which even widespread assurances by Party and trade union officials that there was to be no currency reform could not check. Workers, in particular, withdrew their savings from the banks in order to purchase goods. Finally the government on 25 May closed all shops which sold unrationed goods, with the explanation that rationing was to be abolished. Thus those who had withdrawn their savings from the bank were unable to buy anything, and when the currency reform came they were further penalized because the exchange rate for bank accounts was more favorable than for cash holdings. Meanwhile the officials reiterated their promises that there would be no monetary change.

2. The announcement of the currency reform on 30 May provoked a run on the restaurants. The people found, however, that the restaurants had received reduced rations for the weekend. On Saturday afternoon, 30 May, crowds demonstrated against the reform in Wenceslaus Square in Prague. Several hundred people were arrested but they were released by evening. On Monday work was stopped in several Prague factories including CKD Stalingrad, Avia and Datra. In the Stalingrad plant the workers attacked members of the People's Militia and drove them from the factory. An attempt by Minister of Heavy Engineering Karel Polacek to intervene resulted in his having to flee the plant surrounded by guards.

3. Manifestations of dissatisfaction were seen also in Pilsen (N50/L04), Kladno (N51/L59), Most (N51/F13), Brno (P50/N40) and Moravska Ostrava (P50/O59). In Pilsen the demonstrators carried a picture of former President Eduard Benes to the place which had once been the site of a statue of Thomas Masaryk. In clashes with the police, several members of the SNB were wounded and a number of demonstrators were arrested.

4. Indications that the government was prepared for public dissatisfaction were seen in (1) the alerting of the SNB, the Interior Guard, the army and the People's Militia, (2) the order that workers at the large enterprises consider Sunday, 31 May, a regular workday, and (3) the mobilization of Party and trade union propaganda facilities, the press and radio, to popularize the new measures.

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5. Unknown to the public, a considerable quantity of money was exchanged at par for the members of the SNB, the Interior Guard, the Border Guard, high army officers, and officials of the Communist Party. Members of the SNB, for instance, were permitted to exchange 1,000 Kcs at par and the rest at 5 to 1. Minister of Finance Jaroslav Kabes was reluctant to give the other Ministers a favorable rate, however, and the resulting strain caused him to have a nervous breakdown.

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